

SIMPSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014

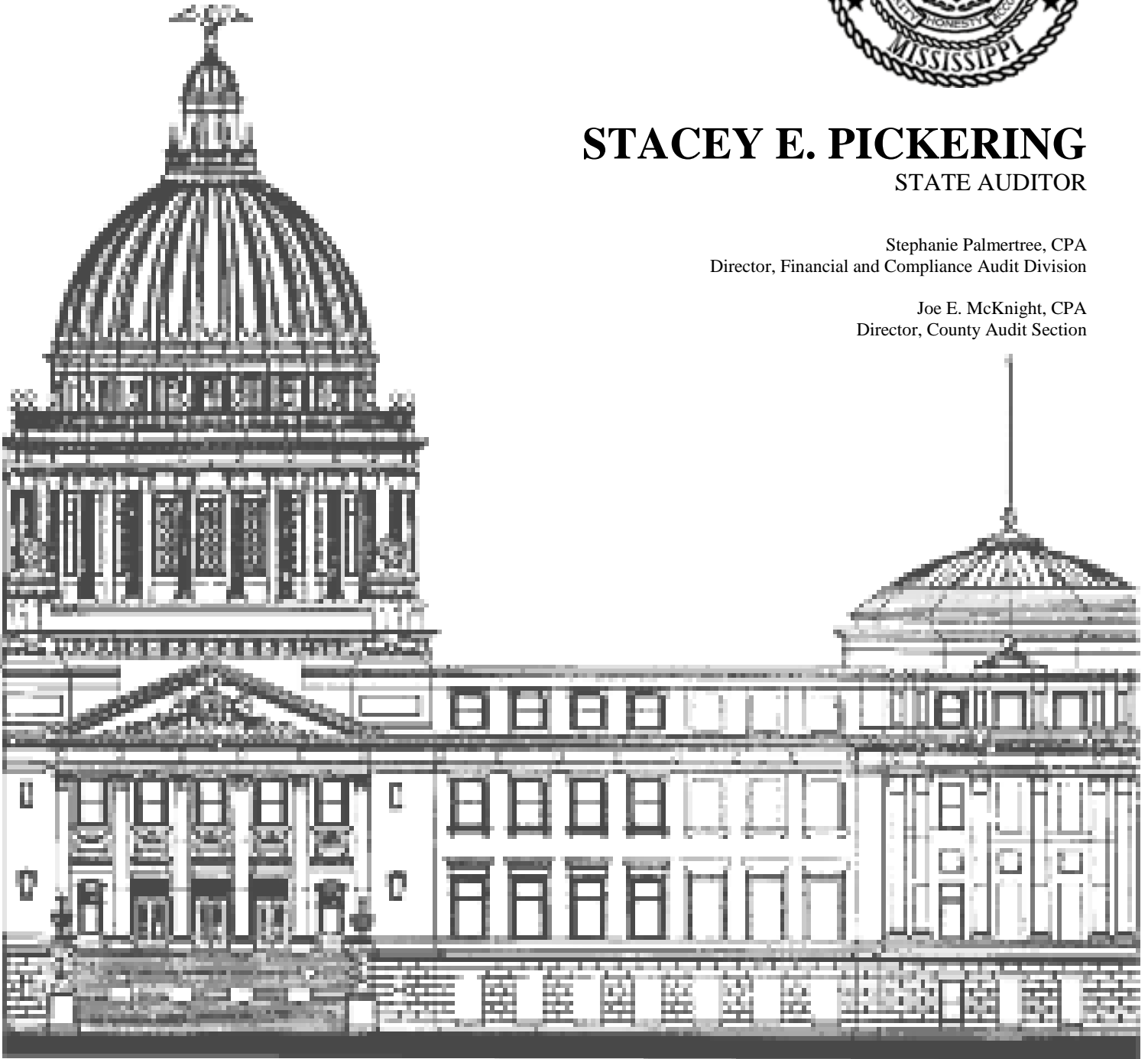


STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

July 28, 2016

Members of the Board of Supervisors
Simpson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for Simpson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Simpson County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Simpson County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL SECTION

SIMPSON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions on Governmental Activities, Business-type Activities and Major Enterprise Fund

As discussed in Note 10 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, business-type activities and the major enterprise fund, and accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities, business-type activities and the

major enterprise fund. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, business-type activities and the major enterprise fund is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities and major enterprise fund of Simpson County, Mississippi, as of September 30, 2014, and the change in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Countywide Road Maintenance Fund, the 2014 County Road Construction Fund, and the aggregate remaining fund information of Simpson County, Mississippi, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Simpson County, Mississippi, has omitted the Management’s Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016, on our consideration of Simpson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Simpson County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" being the most prominent part.

JOE E. McKNIGHT, CPA
Director, County Audit Section

July 28, 2016

SIMPSON COUNTY

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SIMPSON COUNTY

FINANCIAL STATEMENTS

SIMPSON COUNTY

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SIMPSON COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 11,323,028	25,289	11,348,317
Restricted cash	6,288		6,288
Property tax receivable	7,288,484		7,288,484
Accounts receivable (net of allowance for uncollectibles of \$994,005)		312,829	312,829
Fines receivable (net of allowance for uncollectibles of \$1,687,406)	450,016		450,016
Intergovernmental receivables	312,657	5,676	318,333
Other receivables	34,290		34,290
Internal balances	(53,150)	53,150	0
Capital assets:			
Land and construction in progress	1,718,262		1,718,262
Other capital assets, net	60,437,925	594,303	61,032,228
Total Assets	<u>81,517,800</u>	<u>991,247</u>	<u>82,509,047</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	15,294		15,294
Total deferred outflows of resources	<u>15,294</u>	<u>0</u>	<u>15,294</u>
LIABILITIES			
Claims payable	1,235,279	24,979	1,260,258
Intergovernmental payables	251,997		251,997
Accrued interest payable	139,736		139,736
Unearned revenue		52,164	52,164
Amounts held in custody for others	61,809		61,809
Long-term liabilities			
Due within one year:			
Capital debt	1,167,942	4,635	1,172,577
Due in more than one year:			
Capital debt	11,615,631	48,463	11,664,094
Non-capital debt	350,720	16,532	367,252
Total Liabilities	<u>14,823,114</u>	<u>146,773</u>	<u>14,969,887</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	7,288,484		7,288,484
Total deferred inflows of resources	<u>7,288,484</u>	<u>0</u>	<u>7,288,484</u>
NET POSITION			
Net investment in capital assets	49,387,908	541,205	49,913,819
Restricted for:			
Expendable:			
General government	67,471		67,471
Public safety	615,619		615,619
Public works	3,089,270	303,269	3,392,539
Health and welfare	51,164		51,164
Economic development and assistance	473,740		473,740
Debt service	33,594		33,594
Unrestricted	5,702,730		5,702,730
Total Net Position	<u>\$ 59,421,496</u>	<u>844,474</u>	<u>60,250,676</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,213,481	856,506			(2,356,975)		(2,356,975)
Public safety	4,337,086	816,968	166,205	131,289	(3,222,624)		(3,222,624)
Public works	5,118,107		893,136	1,170,350	(3,054,621)		(3,054,621)
Health and welfare	149,875		37,753		(112,122)		(112,122)
Culture and recreation	213,410				(213,410)		(213,410)
Conservation of natural resources	109,625				(109,625)		(109,625)
Economic development and assistance	147,189				(147,189)		(147,189)
Interest on long-term debt	366,645				(366,645)		(366,645)
Bond issue costs	31,125				(31,125)		(31,125)
Paying agent fees	5,640				(5,640)		(5,640)
Total Governmental Activities	<u>13,692,183</u>	<u>1,673,474</u>	<u>1,097,094</u>	<u>1,301,639</u>	<u>(9,619,976)</u>		<u>(9,619,976)</u>
Business-type activities:							
Solid waste	987,343	872,068	33,629			(81,646)	(81,646)
Total Business-type Activities	<u>987,343</u>	<u>872,068</u>	<u>33,629</u>	<u>0</u>		<u>(81,646)</u>	<u>(81,646)</u>
Total Primary Government	<u>\$ 14,679,526</u>	<u>2,545,542</u>	<u>1,130,723</u>	<u>1,301,639</u>	<u>(9,619,976)</u>	<u>(81,646)</u>	<u>(9,701,622)</u>
General revenues:							
Property taxes					\$ 8,287,908		8,287,908
Road & bridge privilege taxes					314,188		314,188
Grants and contributions not restricted to specific programs					871,396		871,396
Unrestricted interest income					22,449	427	22,876
Miscellaneous					253,694	29,107	282,801
Total General Revenues					<u>9,749,635</u>	<u>29,534</u>	<u>9,779,169</u>
Changes in Net Position					<u>129,659</u>	<u>(52,112)</u>	<u>77,547</u>
Net Position - Beginning, as previously reported					59,620,956	896,586	60,517,542
Prior period adjustment					<u>(329,119)</u>		<u>(329,119)</u>
Net Position - Beginning, as restated					<u>59,291,837</u>	<u>896,586</u>	<u>60,188,423</u>
Net Position - Ending					<u>\$ 59,421,496</u>	<u>844,474</u>	<u>60,265,970</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Balance Sheet - Governmental Funds
September 30, 2014

Exhibit 3

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	2014 Road Bond Proceeds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 5,849,698	948,397	2,456,874	2,068,059	11,323,028
Restricted cash	6,288				6,288
Property tax receivable	4,870,568	1,024,324		1,393,592	7,288,484
Fines receivable (net of allowance for uncollectibles of \$1,687,406)	450,016				450,016
Intergovernmental receivables	216,601			96,056	312,657
Other receivables	25,717			8,573	34,290
Due from other funds	23,900	43,687		18,506	86,093
Advances to other funds	33,500			15,000	48,500
Total Assets	\$ 11,476,288	2,016,408	2,456,874	3,599,786	19,549,356
LIABILITIES					
Liabilities:					
Claims payable	\$ 110,778	113,065	972,821	38,615	1,235,279
Intergovernmental payables	216,724			17,745	234,469
Due to other funds	132,871			23,900	156,771
Advances from other funds				48,500	48,500
Amounts held in custody for others	61,809			0	61,809
Total Liabilities	522,182	113,065	972,821	128,760	1,736,828
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	4,870,568	1,024,324		1,393,592	7,288,484
Unavailable revenue - fines	450,016				450,016
Total deferred inflows of resources	5,320,584	1,024,324	0	1,393,592	7,738,500
Fund balances:					
Nonspendable:					
Advances	33,500				33,500
Restricted for:					
General government				67,471	67,471
Public safety	6,288			609,331	615,619
Public works		879,019	1,484,053	726,198	3,089,270
Health and welfare				51,164	51,164
Economic development and assistance				473,740	473,740
Debt service				173,330	173,330
Unassigned	5,593,734			(23,800)	5,569,934
Total Fund Balances	5,633,522	879,019	1,484,053	2,077,434	10,074,028
Total Liabilities and Fund Balances	\$ 11,476,288	2,016,408	2,456,874	3,599,786	19,549,356

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,074,028
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$94,068,799.	62,156,187
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	450,016
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,134,293)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(139,736)
Deferred amount on refunding	<u>15,294</u>
Total Net Position - Governmental Activities	\$ <u><u>59,421,496</u></u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	2014 Road Bond Proceeds Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 5,642,953	1,375,613		1,269,342	8,287,908
Road and bridge privilege taxes		314,188			314,188
Licenses, commissions and other revenue	271,650			10,121	281,771
Fines and forfeitures	612,569			16,407	628,976
Intergovernmental revenues	806,160	1,849,456		614,513	3,270,129
Charges for services	475,196			289,830	765,026
Interest income	16,148	1,684	521	4,096	22,449
Miscellaneous revenues	126,005	107,639		20,050	253,694
Total Revenues	7,950,681	3,648,580	521	2,224,359	13,824,141
EXPENDITURES					
Current:					
General government	3,026,398			1,753	3,028,151
Public safety	3,256,161			1,160,929	4,417,090
Public works		3,945,475	1,547,390	647,743	6,140,608
Health and welfare	138,038				138,038
Culture and recreation	213,410				213,410
Conservation of natural resources	109,625				109,625
Economic development and assistance	13,720			106,192	119,912
Debt service:					
Principal	374,272	104,577		433,295	912,144
Interest	292,104	12,655		42,089	346,848
Bond issue costs			31,125		31,125
Paying agent fees	2,500		1,200	1,940	5,640
Total Expenditures	7,426,228	4,062,707	1,579,715	2,393,941	15,462,591
Excess of Revenues over (under) Expenditures	524,453	(414,127)	(1,579,194)	(169,582)	(1,638,450)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		334,500	3,050,000		3,384,500
Proceeds from sale of capital assets		33,250		43,000	76,250
Premiums on bonds issued			13,247		13,247
Transfers in		4,319		157,486	161,805
Transfers out	(148,349)			(13,456)	(161,805)
Total Other Financing Sources and Uses	(148,349)	372,069	3,063,247	187,030	3,473,997
Net Changes in Fund Balances	376,104	(42,058)	1,484,053	17,448	1,835,547
Fund Balances - Beginning	5,257,418	921,077		2,059,986	8,238,481
Fund Balances - Ending	\$ 5,633,522	879,019	1,484,053	2,077,434	10,074,028

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,835,547
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$1,957,577 exceeded depreciation of \$1,021,792 in the current period.	935,785
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$24,764 and the proceeds from the sale of \$76,250 in the current period.	(101,014)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(2,299)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$3,384,500 exceeded debt repayments of \$912,144.	(2,472,356)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences	(32,960)
Increase in accrued interest payable	(16,356)
Increase in bond premium	(13,247)
The Amortization of:	
Deferred bond refunding charges	(6,653)
Refunding bond premium	3,212
Change in Net Position of Governmental Activities	\$ <u><u>129,659</u></u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2014

Exhibit 5

	Business-type Activities - Enterprise Fund	Garbage and Solid Waste Fund
ASSETS		
Current assets:		
Cash	\$	25,289
Accounts receivable (net of allowance for uncollectibles of \$994,005)		312,829
Intergovernmental receivables		5,676
Due from other funds		53,150
Total Current Assets		<u>396,944</u>
Noncurrent assets:		
Capital assets:		
Other capital assets, net		594,303
Total Noncurrent Assets		<u>594,303</u>
Total Assets		<u>991,247</u>
LIABILITIES		
Current liabilities:		
Claims payable		24,979
Unearned revenue		52,164
Capital debt:		
Capital leases payable		4,635
Total Current Liabilities		<u>81,778</u>
Noncurrent liabilities:		
Capital debt:		
Capital leases payable		48,463
Non-capital debt:		
Compensated absences payable		16,532
Total Noncurrent Liabilities		<u>64,995</u>
Total Liabilities		<u>146,773</u>
NET POSITION		
Net investment in capital assets		541,205
Restricted for:		
Public works		303,269
Total Net Position	\$	<u><u>844,474</u></u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Fund
	Garbage and Solid Waste Fund
Operating Revenues	
Charges for services	\$ 872,068
Other operating cash receipts	220
Total Operating Revenues	872,288
Operating Expenses	
Personal services	442,498
Contractual services	236,811
Materials and supplies	223,759
Depreciation expense	83,219
Total Operating Expenses	986,287
Operating Income (Loss)	(113,999)
Nonoperating Revenues (Expenses)	
Interest income	427
Intergovernmental grants	33,629
Gain (loss) on sale of capital assets	28,887
Interest expense	(1,056)
Net Nonoperating Revenue (Expenses)	61,887
Changes in Net Position	(52,112)
Net Position - Beginning	896,586
Net Position - Ending	\$ 844,474

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2014

Exhibit 7

	Business-type Activities - Enterprise Fund
	Garbage and Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 846,959
Payments to suppliers	(470,505)
Payments to employees	(452,623)
Other operating cash receipts	220
Net Cash Provided (Used) by Operating Activities	(75,949)
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	33,629
Net Cash Provided (Used) by Noncapital Financing Activities	33,629
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(128,369)
Principal paid on long-term debt	(4,548)
Interest paid on debt	(1,056)
Net Cash Provided (Used) by Capital and Related Financing Activities	(133,973)
Cash Flows From Investing Activities	
Interest on deposits	427
Net Cash Provided (Used) by Investing Activities	427
Net Increase (Decrease) in Cash and Cash Equivalents	(175,866)
Cash and Cash Equivalents at Beginning of Year	201,155
Cash and Cash Equivalents at End of Year	\$ 25,289
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (113,999)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	83,219
Provision for uncollectible accounts	97,634
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(123,600)
(Increase) decrease in intergovernmental receivables	65
Increase (decrease) in claims payable	(9,935)
Increase (decrease) in compensated absences liability	(10,125)
Increase (decrease) in unearned revenue	792
Total Adjustments	38,050
Net Cash Provided (Used) by Operating Activities	\$ (75,949)

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	122,823
Due from other funds		17,528
Total Assets	\$	<u>140,351</u>
LIABILITIES		
Intergovernmental payables	\$	140,351
Total Liabilities	\$	<u>140,351</u>

The notes to the financial statements are an integral part of this statement.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Simpson County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Simpson County to present these financial statements on the primary government and its component unit which have significant operational or financial relationships with the County.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, this component unit is reported as if it is part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

Simpson County Economic Development District is a legally separate entity organized under Section 19-5-99, Miss. Code Ann. (1972). Its purpose is to foster, encourage and facilitate economic development in the County. The entity's board of trustees is composed of 11 members appointed by the County Board of Supervisors. The County funds the entity through a .5 mill tax levy.

C. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

2014 Road Bond Proceeds Fund - This fund is used to account for monies received from the proceeds of the 2014 road bond and is to be used for road maintenance and construction.

The county reports the following major Enterprise Fund:

Garbage and Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Simpson County meets this criteria and has elected to report general infrastructure assets acquired after September 30, 1980 on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 1980.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

		Capitalization Thresholds	Estimated Useful Life
Land	\$	0	N/A
Infrastructure		0	20-50 years
Buildings		50,000	40 years
Improvements other than buildings		25,000	20 years
Mobile equipment		5,000	5-10 years
Furniture and equipment		5,000	3-7 years
Leased property under capital leases		*	*

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue - property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue - fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

P. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(2) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities – Governmental Activities.

Explanation	Amount
Implementation of GASB Statement 65, <i>Items Previously Reported as Assets and Liabilities</i>	\$ (329,119)

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$11,471,140, and the bank balance was \$11,964,264. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Restricted Cash.

As approved in Section 91-13-8, Miss. Code Ann. (1972), the cash balance amount of \$6,288 is managed through a trust indenture between the County and the trustee related to the operations of the Simpson County Jail Complex. Accordingly, this cash is classified as restricted on the financial statements.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental	\$ 23,900
Countywide Road Maintenance	General Fund	43,687
Other Governmental Funds	General Fund	18,506
Garbage and Solid Waste Fund	General Fund	53,150
Agency Funds	General Fund	17,528
Total		\$ 156,771

The receivables represent the tax revenues, Justice Court fees and Circuit Clerk fees collected in September, 2014 but not settled until October, 2014, temporary loans to cover cash deficits resulting from governmental grant reimbursements and to correct revenue erroneously recorded in the incorrect fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 33,500
Other Governmental Funds	Other Governmental Funds	15,000
Total		\$ <u>48,500</u>

Amounts listed represent cash loaned to cover cash deficits resulting from the delays in grant reimbursements.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
County wide Road Maintenance Fund	Other Governmental Funds	\$ 4,319
Other Governmental Funds	General Fund	148,349
Other Governmental Funds	Other Governmental Funds	9,137
Total		\$ <u>161,805</u>

The purpose of these transfers was to provide funds for budgeted items, grant matches or to close debt service funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 150,072
Mississippi Emergency Management Agency	14,588
Department of Public Safety	65,406
Department of Corrections	41,930
Department of Human Services	10,011
Commercial Mobile Radio Services Board	<u>30,650</u>
Total Governmental Activities	\$ <u>312,657</u>
Business-type Activities:	
City of Mendenhall	\$ <u>5,676</u>

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments *	Balance Sept. 30, 2014
Non-depreciable capital assets:					
Land	\$ 1,725,899		31,000		1,694,899
Construction in progress	92,516	1,236,692		(1,305,845)	23,363
Total non-depreciable capital assets	1,818,415	1,236,692	31,000	(1,305,845)	1,718,262
Depreciable capital assets:					
Infrastructure	130,950,936	27,782		1,305,845	132,284,563
Buildings	14,979,805				14,979,805
Improvements other than buildings	740,479				740,479
Mobile equipment	4,257,234	271,037	184,719		4,343,552
Furniture and equipment	1,039,656	87,566	238,796		888,426
Leased property under capital leases	935,399	334,500			1,269,899
Total depreciable capital assets	152,903,509	720,885	423,515	1,305,845	154,506,724
Less accumulated depreciation for:					
Infrastructure	85,228,152	371,259			85,599,411
Buildings	3,826,626	232,462			4,059,088
Improvements other than buildings	113,798	239,316	138,585		214,529
Mobile equipment	2,967,245	29,622			2,996,867
Furniture and equipment	887,406	42,409	214,916		714,899
Leased property under capital leases	377,281	106,724			484,005
Total accumulated depreciation	93,400,508	1,021,792	353,501	0	94,068,799
Total depreciable capital assets, net	59,503,001	(300,907)	70,014	1,305,845	60,437,925
Governmental activities capital assets, net	61,321,416	935,785	101,014	0	62,156,187

Business-type activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
Depreciable capital assets:					
Buildings	164,260				164,260
Mobile equipment	1,243,231	128,369	154,853		1,216,747
Leased property under capital leases	63,210				63,210
Total depreciable capital assets	1,470,701	128,369	154,853	0	1,444,217
Less accumulated depreciation for:					
Buildings	49,290	3,286			52,576
Mobile equipment	836,617	74,244	130,590		780,271

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
Leased property under capital leases	11,378	5,689			17,067
Total accumulated depreciation	897,285	83,219	130,590	0	849,914
Total depreciable capital assets, net	573,416	45,150	24,263	0	594,303
Business-type activities capital assets, net	\$ 573,416	45,150	24,263	0	594,303

*The adjustments represent the reclassification of completed construction in progress to infrastructure.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 204,703
Public safety	195,315
Public works	582,660
Health and welfare	11,837
Economic development and assistance	27,277
Total governmental activities depreciation expense	\$ 1,021,792
Business-type activities:	
Solid waste	83,219
Total business-type activities, depreciation expense	\$ 83,219

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP 6419 (McCarty Road Bridge)	\$ 343,442	January 2015
LSBP 6420 (Matt Lee Road Bridge)	180,777	September 2017
LSBP 6421 (Dollar Road Box Bridge)	155,668	July 2015

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(8) Operating Leases.

As Lessor:

On June 1, 2009, Simpson County entered into a non-cancellable operating lease agreement with Howard Industries, Inc. for the lease of certain real property and a building located at 2778 Highway 49, Mendenhall, MS. The operating lease stipulated that the lessee Howard Industries, Inc. would pay approximately \$45,000 each year in lease payments commencing July 12, 2009 for a period of 10 years ending July 12, 2019. Total income from the lease was \$45,000 for the year ended September 30, 2014. The future minimum lease receivable for the lease is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2015	\$ 45,000
2016	45,000
2017	45,000
2018	<u>45,000</u>
Total Minimum Payments Required	<u>\$ 180,000</u>

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,269,899	63,210
Less: Accumulated depreciation	<u>484,005</u>	<u>17,067</u>
Leased Property Under Capital Leases	<u>\$ 785,894</u>	<u>46,143</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 260,295	15,762	4,635	969
2016	253,676	10,579	48,463	739
2017	52,758	5,914		
2018	40,551	4,290		
2019	<u>165,288</u>	<u>2,602</u>		
Total	<u>\$ 772,568</u>	<u>39,147</u>	<u>53,098</u>	<u>1,708</u>

(10) Other Postemployment Benefits.

Plan Description

The Simpson County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Simpson County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. The County also has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(11) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
Governmental Activities:			
A. General Obligation Bonds:			
Quality Foods MBIA bond	\$ 240,000	2.00%	03/2016
Industrial development bonds of 2009	383,705	0.00%	05/2019
2011 Road and bridge refunding bonds	1,220,000	2.00-3.00%	10/2019
2014 G.O. road and bridge bonds	<u>3,050,000</u>	1.88-2.63%	06/2024
Total General Obligation Bonds	<u>\$ 4,893,705</u>		
B. Limited Obligation Bonds:			
Certificates of Participation, (Jail Complex)	<u>\$ 6,890,000</u>	3.00-4.70%	11/2030
Total Limited Obligation Bonds	<u>\$ 6,890,000</u>		
C. Capital Leases:			
Excavator	\$ 1,960	3.39%	10/2014
2 Caterpillar motor graders (refinanced)	158,340	3.17%	12/2014
Computer system	19,476	3.45%	10/2015
Wheel loader	84,733	3.12%	02/2016
2 Case backhoes	145,491	1.95%	09/2016
Radios	37,387	5.39%	09/2017
3 Mack dump trucks	<u>325,181</u>	2.29%	06/2019
Total Capital Leases	<u>\$ 772,568</u>		
D. Other Loans:			
DHS Building renovation	\$ 174,790	2.25%	04/2017
CAP Loan - fire truck	<u>31,880</u>	2.00%	06/2018
Total Other Loans	<u>\$ 206,670</u>		
Business-type Activities:			
A. Capital Leases:			
Caterpillar backhoe	<u>\$ 53,098</u>	1.90%	07/2016

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 542,222	95,513	300,000	274,451
2016	557,222	86,119	310,000	265,301
2017	447,222	77,069	320,000	255,851
2018	582,223	67,794	330,000	245,895
2019	564,816	54,988	340,000	235,001
2020 – 2024	2,200,000	139,318	1,890,000	971,963
2025 – 2029			2,315,000	532,431
2030 – 2034			1,085,000	51,583
Total	\$ 4,893,705	520,801	6,890,000	2,832,476

Year Ending September 30	Other Loans	
	Principal	Interest
2015	\$ 65,425	4,493
2016	66,877	3,041
2017	68,362	1,555
2018	6,006	28
Total	\$ 206,670	9,117

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 1.80% of the latest property assessments.

Certificates of Participation - In accordance with Section 31-8-1 et seq. Mississippi Code Ann., (1972), the County issued Certificates of Participation and transferred the proceeds to the Central Mississippi Public Improvement Corporation (Corporation). The funds are to be used to construct a County Jail Complex. At completion, the Corporation entered into a twenty year lease with the County. The County is obligated to pay the Corporation rent equal to the principal and interest on the debt. At the completion of the lease, the County will assume ownership of the facility. This obligation is not a general obligation and does not constitute a pledge of the full faith and credit of the County.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2014, \$1,225,000 of bonds outstanding were considered defeased.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments	Balance Sept. 30, 2014	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 317,760	32,960			350,720	
General obligation bonds	2,260,927	3,050,000	417,222		4,893,705	542,222
Add:						
Premiums	10,595	13,247	3,212		20,630	
Limited obligation bonds	7,180,000		290,000		6,890,000	300,000
Capital leases	578,997	334,500	140,929		772,568	260,295
Other loans	270,663		63,993		206,670	65,425
Total	\$ 10,618,942	3,430,707	915,356	0	13,134,293	1,167,942
Business-type Activities:						
Compensated absences	\$ 26,657		10,125		16,532	
Capital leases	57,646		4,548		53,098	4,635
Total	\$ 84,303	0	14,673	0	69,630	4,635

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Reappraisal Trust Fund, DUI Officers Grant Fund, Emergency 911 Fund, Seized Forfeited Fund, Bridge and Culvert Fund, and Garbage and Solid Waste Fund.

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2014:

Fund	Deficit Amount
State Aid Road Fund	\$ 16,810
DUI Officers Grant Fund	6,990

(13) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(14) Joint Ventures.

The County participates in the following joint ventures:

Simpson County is a participant with Rankin, Scott and Smith Counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide free library service to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$153,994 in fiscal year 2014. Complete financial statements for the Central Mississippi Regional Library System can be obtained from the following address: 100 Tamberline St., Brandon, MS 39042.

Simpson County is a participant with the Cities of Magee and Mendenhall in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the South Central Regional Solid Waste Authority. The joint venture was created to provide rubbish waste disposal for the residents of Simpson County and is governed by a seven-member board appointed by the Board of Supervisors and Board of Aldermen; three by Simpson County, and two each by the Cities of Magee and Mendenhall. The County's appropriation to the joint venture was \$112,872 in fiscal year 2014. Complete financial statements for the South Central Mississippi Regional Solid Waste Authority can be obtained from the following address: P. O. Box 487, Mendenhall, MS 39114.

(15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Simpson County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County appropriated \$1,226,341 for the maintenance and support of the college in fiscal year 2014.

Region Eight Mental Health Commission operates in a district composed of the Counties of Copiah, Madison, Rankin and Simpson. The Simpson County Board of Supervisors appoints one member of the Board of Commissioners. The County appropriated \$45,000 for support of the commission in fiscal year 2014.

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Simpson County Board of Supervisors appoints three of the 33 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$14,151 for the support of the district in fiscal year 2014.

(16) Defined Benefit Pension Plan.

Plan Description. Simpson County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$691,963, \$622,083 and \$511,936, respectively, equal to the required contributions for each year.

SIMPSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Simpson County evaluated the activity of the County through July 28, 2016, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/18/2014	2.15%	\$	107,301	Capital lease	Ad valorem taxes
12/18/2014	2.15%		107,301	Capital lease	Ad valorem taxes
2/19/2015	2.19%		463,800	Capital lease	Ad valorem taxes
2/12/2016	2.37%		85,000	Negotiable note	Ad valorem taxes
04/12/16	1.78%		67,000	Capital lease	Ad valorem taxes
05/02/16	1.74%		127,648	Capital lease	Ad valorem taxes
05/02/16	1.87%		73,165	Capital lease	Ad valorem taxes
05/02/16	1.73%		208,170	Capital lease	Ad valorem taxes
05/02/16	1.73%		134,704	Capital lease	Ad valorem taxes
07/05/16	2.09%		45,000	Capital lease	Ad valorem taxes

SIMPSON COUNTY

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SIMPSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,426,586	5,634,371	5,634,371	
Licenses, commissions and other revenue	248,350	270,999	270,999	
Fines and forfeitures	557,500	619,910	619,910	
Intergovernmental revenues	861,900	811,524	811,524	
Charges for services	500,000	760,552	760,552	
Interest income	20,600	16,248	16,248	
Miscellaneous revenues	150,300	125,829	125,829	
Total Revenues	<u>7,765,236</u>	<u>8,239,433</u>	<u>8,239,433</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,093,199	3,031,663	3,031,663	
Public safety	3,433,127	3,235,177	3,235,177	
Health and welfare	143,712	145,542	145,542	
Culture and recreation	213,994	213,303	213,303	
Conservation of natural resources	113,309	109,535	109,535	
Economic development and assistance	14,151	14,151	14,151	
Debt service:				
Principal		374,274	374,274	
Interest		292,104	292,104	
Bond issue costs		2,500	2,500	
Total Expenditures	<u>7,011,492</u>	<u>7,418,249</u>	<u>7,418,249</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>753,744</u>	<u>821,184</u>	<u>821,184</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		58,276	58,276	
Other financing uses	<u>(85,776)</u>	<u>(172,248)</u>	<u>(172,248)</u>	
Total Other Financing Sources and Uses	<u>(85,776)</u>	<u>(113,972)</u>	<u>(113,972)</u>	<u>0</u>
Net Change in Fund Balance	667,968	707,212	707,212	
Fund Balances - Beginning	<u>4,814,000</u>	<u>4,806,071</u>	<u>4,806,071</u>	
Fund Balances - Ending	<u>\$ 5,481,968</u>	<u>5,513,283</u>	<u>5,513,283</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

SIMPSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,327,881	1,372,204	1,372,204	
Road and bridge privilege taxes		314,188	314,188	
Intergovernmental revenues	630,000	664,050	664,050	
Interest income	2,800	1,683	1,683	
Miscellaneous revenues	3,000	96,660	96,660	
Total Revenues	<u>1,963,681</u>	<u>2,448,785</u>	<u>2,448,785</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,140,864	2,723,968	2,723,968	
Debt service:				
Principal		101,455	101,455	
Interest		12,041	12,041	
Total Expenditures	<u>2,140,864</u>	<u>2,837,464</u>	<u>2,837,464</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(177,183)</u>	<u>(388,679)</u>	<u>(388,679)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	120,000	383,048	383,048	
Other financing uses	(100,000)			
Total Other Financing Sources and Uses	<u>20,000</u>	<u>383,048</u>	<u>383,048</u>	<u>0</u>
Net Change in Fund Balance	(157,183)	(5,631)	(5,631)	
Fund Balances - Beginning	<u>500,000</u>	<u>954,027</u>	<u>954,027</u>	
Fund Balances - Ending	<u>\$ 342,817</u>	<u>948,396</u>	<u>948,396</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

SIMPSON COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2014 UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>
Budget (Cash Basis)	\$ 707,212	(5,631)
Increase (Decrease)		
Net adjustments for revenue accruals	(347,028)	1,188,816
Net adjustments for expenditure accruals	<u>15,920</u>	<u>(1,225,243)</u>
GAAP Basis	<u>\$ 376,104</u>	<u>(42,058)</u>

SIMPSON COUNTY

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SIMPSON COUNTY

OTHER INFORMATION

SIMPSON COUNTY

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SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Curtis G. Skiffer	Supervisor District 1	Western Surety	\$100,000
Archie Skiffer	Supervisor District 1 - Interim	Western Surety	\$100,000
Larry Walker	Supervisor District 2	RLI	\$100,000
Brian Kennedy	Supervisor District 3	RLI	\$100,000
Mickey Berry	Supervisor District 4	Western Surety	\$100,000
Randy Moore	Supervisor District 5	RLI	\$100,000
Rhuel Dickinson	County Administrator	RLI	\$100,000
Tommy Joe Harvey	Chancery Clerk	RLI	\$100,000
Minnie Parker	Purchase Clerk	Western Surety	\$75,000
Rhuel Dickinson	Assistant Purchase Clerk	RLI	\$50,000
Loretta Sims	Receiving Clerk	RLI	\$75,000
David Hall	Assistant Receiving Clerk	RLI	\$50,000
Regina Evans	Assistant Receiving Clerk	State Farm	\$50,000
Steve Harper	Assistant Receiving Clerk	RLI	\$50,000
Eric Bowen	Inventory Control Clerk	State Farm	\$75,000
Barry Sparks	Road Manager	State Farm	\$50,000
Dan Easterling	Constable	RLI	\$50,000
Randall Coleman	Constable	RLI	\$50,000
Cindy Jensen	Circuit Clerk (10/01/2013 - 06/30/2014)	RLI	\$100,000
Lu Ann Bailey	Circuit Clerk (07/01/2013 - 09/30/2014)	State Farm	\$100,000
Barbara Sullivan	Deputy Circuit Clerk	RLI	\$50,000
Lu Ann Bailey	Deputy Circuit Clerk	State Farm	\$50,000
Patricia Posey	Deputy Circuit Clerk	RLI	\$50,000
Stephanie Berry	Deputy Circuit Clerk	State Farm	\$50,000
Kenneth Lewis	Sheriff	RLI	\$100,000
Brian Davis	Sheriff's Deputy	RLI	\$50,000
Chris Jones	Sheriff's Deputy	RLI	\$50,000
Christopher Wallace	Sheriff's Deputy	RLI	\$50,000
Donnie McGovern	Sheriff's Deputy	RLI	\$50,000
Eddie McCabe	Sheriff's Deputy	RLI	\$50,000
Greg Reynolds	Sheriff's Deputy	State Farm	\$50,000
James Morehead	Sheriff's Deputy	State Farm	\$50,000
Jeff Smith	Sheriff's Deputy	RLI	\$50,000
Joe Andrews	Sheriff's Deputy	RLI	\$50,000
John Kilpatrick	Sheriff's Deputy	RLI	\$50,000
Kathryn McMillan	Sheriff's Deputy	RLI	\$50,000
Kelvin Jenkins	Sheriff's Deputy	RLI	\$50,000
Marvin Miller	Sheriff's Deputy	State Farm	\$50,000
Bryan Buckley	Sheriff's Deputy	Western Surety	\$50,000
William Carroll	Sheriff's Deputy	State Farm	\$50,000
William Mike Brown	Sheriff's Deputy	State Farm	\$50,000
Eugene Knight	Justice Court Judge	RLI	\$50,000
Ted Blakeney	Justice Court Judge	RLI	\$50,000
Kim Jackson	Justice Court Clerk	RLI	\$50,000
Brandy Shepherd	Deputy Justice Court Clerk	State Farm	\$50,000
Joyce Hicks	Deputy Justice Court Clerk	RLI	\$50,000
Theja Abernathy	Deputy Justice Court Clerk	State Farm	\$50,000
Charles Baldwin	Tax Assessor-Collector	RLI	\$100,000
Alisha Walker	Tax Assessor-Collector Deputy	RLI	\$50,000

SIMPSON COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
Amanda Daughdrill	Tax Assessor-Collector Deputy	RLI	\$50,000
Carolyn Williams	Tax Assessor-Collector Deputy	RLI	\$50,000
Dawn Bradshaw	Tax Assessor-Collector Deputy	State Farm	\$50,000
Jamie Brewer	Tax Assessor-Collector Deputy	RLI	\$50,000
Kathy Cole Kennedy	Tax Assessor-Collector Deputy	Western Surety	\$50,000
Naomi Nicole McCallum	Tax Assessor-Collector Deputy	RLI	\$50,000
Shay McNeil	Tax Assessor-Collector Deputy	RLI	\$50,000
Tommy Brown	Tax Assessor-Collector Deputy	State Farm	\$50,000

SIMPSON COUNTY

SPECIAL REPORTS

SIMPSON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Simpson County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Simpson County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 28, 2016. The report is qualified on the governmental activities, the business-type activities and the major enterprise fund because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Simpson County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-002 and 2014-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Simpson County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Simpson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 28, 2016, included within this document.

Simpson County's Responses to Findings

Simpson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Simpson County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. McKNIGHT, CPA
Director, County Audit Section

July 28, 2016



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Simpson County, Mississippi

We have examined Simpson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Simpson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Simpson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Simpson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Simpson County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. McKNIGHT, CPA
Director, County Audit Section

July 28, 2016

SIMPSON COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
8/4/2014	2015 Freightliner	\$ 128,369	Empire Truck Sales	\$ 128,200	The low bid was one model year older and did not meet specifications.
3/3/2014	(2) Steam cleaners	8,350	Industrial Steam Cleaners Inc.	8,000	On site services provided and rental of equipment in case of breakdown results in lower cost of downtime for the County.

SIMPSON COUNTY

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2014

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
8/4/2014	Bridge repair	\$ 5,500	Southern Construction	Bridge damage could cause additional accidents.

SIMPSON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Our test results did not identify any purchases made noncompetitively from a sole source.

SIMPSON COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Simpson County, Mississippi

In planning and performing our audit of the financial statements of Simpson County, Mississippi for the year ended September 30, 2014, we considered Simpson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Simpson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 28, 2016, on the financial statements of Simpson County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County should strengthen passwords.

Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for county information assets. Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated. Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

Board of Supervisors' Response

We will consult with our computer software providers and our third party computer service providers to address the strength of passwords. We will comply.

2. The County should improve its server room environment management.

Finding

The County's computer room is not a dedicated room with limited, controlled access and proper environmental equipment for electronic equipment. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential to be accessed by unauthorized personnel. Although the room does have air conditioning, it does not have monitoring equipment for other conditions that can have an adverse effect on electronic equipment.

Recommendation

We recommend that the County establish an area specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment in relation to heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges. A log should also be maintained of visitors entering and exiting the computer room. In addition, access reviews should be completed on a periodic basis to determine that only authorized personnel have access to the computer room. Documentation of visitors to the computer room as well as periodic access reviews should be maintained for review by audit personnel.

Board of Supervisors' Response

Prior to this finding, the Board of Supervisors had authorized establishment of a new secure computer room in the basement of the Simpson County Chancery Building. As of March 1, 2016, we have modified a secure room with a keypad door lock, separate electrical circuits connected to the generator, a special separate air conditioning unit to monitor for temperature and humidity, and a raised acoustic tile floor. We have established a new rack for computer equipment and have moved all of the equipment from the unsecured Chancery Clerk's Office to this rack. We plan to move the AS 400 server and equipment rack from the unsecured old Courthouse Law Library room as soon as we install the appropriate switches needed which have been ordered. We have also connected a new Cspire fiber optic line to the new computer room and had a building to building underground fiber bored to connect the Chancery Building to the Courthouse with secure facilities. When we move the AS 400 Server, we plan to install a UPS for all of the equipment. Additionally, we will establish procedures for security and access records. We are in the process of fully complying with this finding and recommendation.

Simpson County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



JOE E. McKNIGHT, CPA
Director, County Audit Section

July 28, 2016

SIMPSON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued: | |
| | Governmental activities | Qualified |
| | Business-type activities | Qualified |
| | General Fund | Unmodified |
| | Countywide Road Maintenance Fund | Unmodified |
| | 2014 Road Bond Proceeds Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| | Garbage and Solid Waste Fund | Qualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2014-001. Liability for other postemployment benefits should be recorded.

Finding

Simpson County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. GASB Statement 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for their health insurance plan. However, as reported in the prior four years' audit reports, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities, business-type activities and the Garbage and Solid Waste Fund.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

The Board of Supervisors has determined that it is not cost effective to have an actuarial valuation performed annually for reporting other postemployment benefits.

SIMPSON COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2014

Significant Deficiency

2014-002. The County should replace obsolete hardware and software.

Finding

The County is running operating systems as well as applications on some of its servers and/or personal computers (PCs) that might not be supported by vendors. Due to the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that the County develop a plan to replace the operating systems, applications, and hardware where necessary that is no longer supported by vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases.

Board of Supervisors' Response

We have been working to purchase over 50 new computers to upgrade from Windows XP to a higher version of the operating system. We have been stymied thus far due to application software in the Sheriff's Office, Golden Eagle Law Enforcement and Jail Management Package, that will not run on 64 bit machines. We have delayed this large and expensive equipment acquisition to allow the software vendor to upgrade the software. Due to extensive delays from the vendor due to the death of one of the owners, we are considering upon which course to take. We plan to comply with this finding and recommendation as soon as the budget and Sheriff's Office needs are determined. In the meantime, our third party computer service provider has indicated that our network firewall, antivirus software and malware software should protect our system from significant risk.

Significant Deficiency

2014-003. The County should expire all individual passwords on a periodic basis.

Finding

A review of the County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, the County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response

We will comply.